

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
FROM Craig Harper, JBC Staff (303-866-3481)
DATE May 18, 2020
SUBJECT Revised Long Bill Recommendations for School Finance (OSPB Forecast)

On May 13, 2020, the Committee approved staff recommendations for the State Share of Districts' Total Program line item in the FY 2020-21 Long Bill, including adjustments to the FY 2019-20 appropriation as well as the appropriation for FY 2020-21. However, those recommendations were calculated using the Legislative Council Staff May 2020 Forecast Update (LCS forecast). Staff is returning with revised recommendations for both years driven by the Committee's selection of the Office of State Planning and Budgeting Forecast Update (OSPB forecast) for balancing purposes.

FY 2019-20 ADJUSTMENTS

As discussed in the May 13 presentation, the adjustments to total program funding for FY 2019-20 are driven by decreasing federal mineral lease (FML) revenues deposited to the State Public School Fund.

- Based on the LCS forecast, the Committee approved reducing the FY 2019-20 appropriation from the State Public School Fund by \$17.8 million (with an offsetting increase from the State Education Fund) to account for the anticipated decrease in FML revenues.
- Among other smaller changes, the OSPB forecast anticipates \$4.7 million more in FML deposits to the State Public School Fund than the LCS forecast.
- Consistent with previous discussions, staff recommends targeting a balance of \$29.2 million in the State Public School Fund at the end of FY 2019-20, including \$24.2 million in anticipated FY 2019-20 marijuana tax revenues (under the OSPB forecast) and a "buffer" of \$5.0 million to account for potential forecast error.
- Based on the OSPB projections of FML revenues, maintaining that balance requires a reduction of \$13.1 million below the *current* FY 2019-20 appropriation, with an offsetting increase of that amount from the State Education Fund.

Replacing the previous (May 13) recommendation, staff recommends reducing the current FY 2019-20 appropriation from the State Public School Fund by \$13,143,861 and offsetting that reduction with an identical increase from the State Education Fund (see table 1 below). Accounting for the changes in the OSPB forecast (including higher FML revenues but lower income tax deposits to the State Education Fund), staff projects that the recommendation would leave \$29.2 million in the State Public School Fund and \$110.9 million in the State Education Fund at the end of FY 2019-20.

TABLE 1: FY 2019-20 TOTAL PROGRAM FUNDING LONG BILL SUPPLEMENTAL			
	CURRENT FY 2019-20 APPROPRIATION (INCLUDING H.B. 20-1260)	STAFF RECOMMENDED ADJUSTMENT (LONG BILL SUPPLEMENTAL)	RECOMMENDED FY 2019-20 APPROPRIATION
Funded Pupil Count	896,001	0	896,001
Inflation Rate	2.7%	0.0%	2.7%

TABLE 1: FY 2019-20 TOTAL PROGRAM FUNDING LONG BILL SUPPLEMENTAL			
	CURRENT FY 2019-20 APPROPRIATION (INCLUDING H.B. 20-1260)	STAFF RECOMMENDED ADJUSTMENT (LONG BILL SUPPLEMENTAL)	RECOMMENDED FY 2019-20 APPROPRIATION
Statewide Base Per Pupil Funding	\$6,952	\$0	\$6,952
Total Program Funding			
Total Program before Budget Stab. Factor	\$8,178,375,722	\$0	\$8,178,375,722
Budget Stabilization Factor	(572,396,894)	0	(572,396,894)
<i>Budget Stabilization Factor as Percentage</i>	-7.00%	n/a	-7.00%
Adjusted Total Program	\$7,605,978,828	\$0	\$7,605,978,828
Statewide Average Per Pupil	\$8,489	n/a	\$8,489
Local And State Shares			
Local Share	<u>\$2,977,176,606</u>	<u>\$0</u>	<u>\$2,977,176,606</u>
Property Tax	2,776,034,750	0	2,776,034,750
Specific Ownership Tax	201,141,856	0	201,141,856
State Share	<u>\$4,628,802,222</u>	<u>\$0</u>	<u>\$4,628,802,222</u>
General Fund	4,166,423,114	0	4,166,423,114
Cash Funds (SEF)	393,550,471	13,143,861	406,694,332
Cash Funds (SPSF)	68,828,637	(13,143,861)	55,684,776

FY 2020-21 RECOMMENDATIONS

Staff's recommended framework for FY 2020-21 school finance appropriations *for the Long Bill* remains unchanged from the May 13 discussion. The framework includes:

- Holding the budget stabilization factor constant at \$572.4 million as required by current law.
- Targeting ending balances of \$100.0 million in the State Education Fund and \$28.6 million in the State Public School Fund (reflecting OSPB's projected marijuana tax collections for FY 2020-21).
- Maintaining 29,360 Colorado Preschool Program (CPP) slots and 500 Accelerating Students through Concurrent Enrollment (ASCENT) slots.

The OSPB forecast anticipates \$26.5 million more in income tax deposits to the State Education Fund in FY 2020-21 than the LCS forecast. After accounting for forecast adjustments and technical corrections to staff's assumptions for FY 2020-21, the shift to the OSPB forecast allows for a reduction of \$22.4 million General Fund below the previous (May 13) staff recommendation. **Staff recommends approving an appropriation of \$4,784,907,994 total funds for the State Share of Districts' Total Program Funding line item in the FY 2020-21 Long Bill.** The recommendation includes the following fund sources (also shown in Table 2 on the following page):

- **\$4,470,610,083 General Fund** (an increase of \$304.2 million above the FY 2019-20 appropriation and a decrease of \$22.4 million below the May 13 staff recommendation).
- **\$253,279,953 cash funds from the State Education Fund** (a decrease of \$153.4 million below the adjusted FY 2019-20 appropriation but an increase of \$19.5 million above the May 13 staff recommendation). As noted above, the recommendation assumes a target balance of \$100.0 million at the end of FY 2020-21.

- **\$61,017,958 cash funds from the State Public School Fund** (an increase of \$5.3 million above the recommended appropriation for FY 2019-20 and \$2.3 million above the May 13 staff recommendation).

TABLE 2: FY 2020-21 TOTAL PROGRAM FUNDING LONG BILL

	FY 2019-20 APPROPRIATION (INCLUDING STAFF RECOMMENDED ADJUSTMENT)	GOVERNOR'S REVISED (JANUARY 15) REQUEST (EXCLUDING CPP EXPANSION)	MAY 18 STAFF LONG BILL RECOMMENDATION (REVISED DATA AND CONSTANT BUDGET STAB. FACTOR)	ANNUAL CHANGE
Funded Pupil Count	896,001	896,094	896,094	93
Inflation Rate	2.7%	1.9%	1.9%	N/A
Statewide Base Per Pupil Funding	\$6,952	\$7,084	\$7,084	\$132
Total Program Funding				
Total Program before Budget Stab. Factor	\$8,178,375,722	\$8,333,734,614	\$8,411,855,677	\$233,479,955
Budget Stabilization Factor	(572,396,894)	(520,396,894)	(572,396,894)	0
<i>Budget Stabilization Factor as Percentage</i>	<i>-7.00%</i>	<i>-6.24%</i>	<i>-6.80%</i>	<i>0.19%</i>
Adjusted Total Program	\$7,605,978,828	\$7,813,337,720	\$7,839,458,783	\$233,479,955
Statewide Average Per Pupil	\$8,489	\$8,719	\$8,748	\$260
Local And State Shares				
Local Share	<u>\$2,977,176,606</u>	<u>\$3,054,571,884</u>	<u>\$3,054,550,789</u>	<u>\$77,374,183</u>
Property Tax	2,776,034,750	2,846,779,854	2,847,374,678	71,339,928
Specific Ownership Tax	201,141,856	207,792,030	207,176,111	6,034,255
State Share	<u>\$4,628,802,222</u>	<u>\$4,758,765,836</u>	<u>\$4,784,907,994</u>	<u>\$156,105,772</u>
General Fund	4,166,423,114	4,214,766,622	4,470,610,083	304,186,969
Cash Funds (SEF)	406,694,332	459,996,808	253,279,953	(153,414,379)
Cash Funds (SPSF)	55,684,776	84,002,406	61,017,958	5,333,182
Annual General Fund Increase		48,343,508	304,186,969	304,186,969
Statutory Change Required		Yes	Yes	